

File Cy

26 June 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with [redacted] on
24 June 1986--Educational Package on the New
Retirement System

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Attendees:

[redacted]

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1. [redacted] came to market five
different services in reference to the new retirement system.
These are:

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- ° Train personnel officers in the intricacies of the system and how to handle questions related to it.
- ° Provide mass briefing of employees, usually half-day sessions.
- ° Provide technical assistance to agencies in implementing the bill.
- ° Sell or make available a software package that will provide information to employees on their benefits under the new system. The employee plugs in different variables regarding years worked before retirement, amounts invested in Thrift, rate of return on Thrift, future Social Security earnings. Accompanying the package would be a booklet that explains how the program works and some things to avoid in addressing the variables such as, rate of return on investment (the packages use the Social Security Administration projections on inflation and OPM estimates on future pay raises). The package is IBM compatible.

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2. They then ran two projections, one for [] and the other for [] on their retirement benefits under the new system. The program showed that [] did substantially better under the new system than the old while [] gained only about \$900. The projection did not take into account the tax savings that [] would have received because of the tax deferment provisions on contributions to the Thrift and the interest earned.

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3. [] clarified a number of points about provisions of the new system that had been raised in meetings of the Policy and Working Groups.

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- ° Did the bill intend to provide for a lump-sum, tax-free payment of retirees' contributions to their annuities?

Yes, it was intended to work this way. The Committee submitted this provision at the last minute to circumvent the attempt to scuttle the three-year recovery rule in the new tax law. The lump-sum payment would result in a reduced annuity.

- ° Can an employee who leaves the Government after participating in FERS buy back into the Thrift if he has transferred contributions to another IRA type fund?

No, there is no buyback provision in the Thrift.

- ° Can employees deduct a percent of salary for the Thrift or specify a dollar amount for deduction?

Yes, the bill gave the employee that option. However, the Thrift Savings Board will probably establish some standards, specifying percent or increments of salary.

- ° Will the Thrift contribution be tax deferred as well as interest on earnings?

Yes, even if status of IRA changes, this benefit will remain. Congress' intent was to provide this benefit to make the retirement package attractive to employees. FERS would not be very attractive without this feature.

- ° To what extent will Congressional Committees review our proposed regulations? Can we start implementing before approval?

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- ° Not sure. Agency would not be reporting to the Governmental Affairs Committee, but to oversight committees. He did indicate that Agency has license to write its own regulations and await OPM action.
- ° What happened to the proposed provision in the retirement withholding bill that would have Agency pay the extra 5 percent withholding for employees who qualify for CIARDS after several years of service. The employee must pay the increased accrual rate for three years that he/she was not in CIARD; the proposal was that the Agency would pay this money.

Not sure. It was in early version. He can't find in the bill, as passed it was intended.

- ° Can a person in CIARDS transfer into regular FERS, thereby maintaining CIARDS accrual rates through date of transfer, and circumventing the mandatory age 60 retirement age?

The legislation did intend to allow this to happen. Agency regulations could be written to prevent it, despite the fact that the legislation does not specifically disallow such a transfer.

- ° Does a person who transfers from CIARDS into the FERS CIA Special Category, after 20 years in CIARDS, receive an accrual rate under the Special Category of 1.7 percent or 1.0 percent?

The rate would be 1.7 percent, because a person gets 1.7 percent for the first 20 years in FERS Special Category.

- ° Will the annuity supplement be calculated for agencies by the Social Security Administration (SSA), or will OPM and various agencies be expected to calculate it themselves?

In many cases an agency should be able to compute annuity supplements through the use of personnel data within the agency. In some cases, the data would need to be supplemented by earnings information that can be retrieved from SSA by the individual whose records are involved. It is not anticipated that SSA will do the computations.

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4. Messrs. [] quoted the following
prices for various educational options that they would offer:

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Would do batch runs on
groups of employees if we
provide data. No price
given.

Special Price on whole program above []

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Counseling Services -

Individually priced

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cc: C/RD